
BENEFIT PLAN CHANGES FOR 2005 - Bill Hempfling

Several weeks ago, I mentioned in a Monday Memo article that we were planning to re-compete many of the Laboratory's employee benefits plans in an effort to reduce our costs. We asked AON Consulting, our insurance actuaries, to go out in the marketplace to see if we could cut costs on our coverage without changing plan design features. In other words, items such as co-pays, deductibles, and levels of coverage had to remain the same.

AON has completed their work and presented their recommendations to Laboratory management for approval. After considering the recommendations, the Policy Council has decided to implement the following changes, effective January 1, 2005:

- We will retain CIGNA as a medical carrier but will be fully self-insured as opposed to the fully insured funding arrangement we've had up to this time. In a fully self-insured plan, the Laboratory takes on the risk of high/catastrophic claims, as opposed to a fully insured arrangement, where the insurance company takes on the risk. We will be purchasing catastrophic (stop-loss) insurance coverage to protect us from those high-end claims at a minimal cost.

- We will switch from the current CIGNA-PPO to CIGNA's less-expensive "Open Access Plus" PPO plan. This plan has a slightly different roster of in-network physicians. Before deciding to switch PPOs, we had CIGNA do an analysis to determine what kind of impact such a change would have. The results of that analysis showed that in 2003, a total of 77 percent of all our claims to CIGNA were covered in-network. If we had been using the Open Access Plus plan at that time, 76 percent would have been covered in-network. This change will have an impact on a relatively small number of employees who will find that some of their doctors are not in the Open Access Plus network. You can visit the CIGNA website (<http://www.cigna.com/health/>) to determine whether or not your providers are in this new PPO plan.

- We are switching from a fully insured plan under VYTRA to a self-insured arrangement. As a result of this change and a merger between VYTRA and HIP, employees in the VYTRA plan can use many of the doctors in the HIP network. In addition, employees in VYTRA will no longer need to have a "primary care physician" and, thus, will no longer need to obtain referrals before seeking services from specialists. In addition, VYTRA will now offer an out-of-network provision. This will allow those in the plan to go out-of-network for services, and they will have a high deductible, high co-insurance arrangement.

- We are dropping CIGNA as the carrier for our Life Insurance and Long-Term Disability (LTD) plans, in favor of Prudential Insurance. This change will have no effect on those individuals who are presently on LTD, as they will retain their LTD coverage with CIGNA. Employees who purchase supplemental life insurance will be paying approximately 30 percent less for that coverage under the Prudential plan.

Going into budget discussions for FY 2005, we conservatively estimated that the AON work would reduce our projected \$5.7 million medical increase by approximately \$1 million, and this effect was factored into the FY05 budget. Now that the final AON results are in, we realize that we will actually save approximately \$1.8 million in FY05. A portion of the additional \$800,000 will be used to delay the projected premium increase for employees to April 1, while the remainder will be held in reserve in case the final savings are slightly less than expected.

This is a brief overview of the changes. Please bear in mind that there are no changes in plan design features such as co-pays and deductibles. Employees will receive written materials describing all of the medical plan changes and adjusted premiums later this week.

This year's open enrollment period for medical, dental, and flexible spending accounts will be held from November 1 through November 12.

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